

Message Text

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ACTION TRSE-00

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E.O.. 11652: N/A

TAGS: ETRD, AR

SUBJECT: COUNTERVALLING DUTIES--ARGENTINE FOOTWEAR

REFS: A. BUENOS AIRES 3940, B. STATE 107979

1. SUMMARY. ARGENTINE REACTION TO USG INQUIRY INTO GOA'S EXPORT PROMOTION PROGRAM FOR FOOTWEAR CONTINUES ADVERSE THOUGH NOT YET ORGANIZED NOR SHRILL. EMBASSY RECOMMENDS BROAD INTER-AGENCY USG REVIEW OF SITUATION BEFORE ACTION IS TAKEN UNDER COUNTERVAILING DUTY STATUTE AND CAREFUL PLANNING FOR APPROACHES TO GOA ON THIS SUBJECT. END SUMMARY

2. IMMEDIATELY FOLLOWING ARRIVAL OF FACT-FINDING TEAM, ANNOUNCED REFTEL B, THERE WERE LEAKS CONCERNING VISIT OF TREASURY REPS AND IMPORTANT MORNING DAILY CONISTA COMMERCIAL ON MAY 27 PUBLISHED FRONT-PAGE DOUBLE COLUMN STORY ENTITLED: "US MAY APPLY SURCHARGES TO IMPORTS FROM ARGENTINA." ARTICLE HIGHLIGHTED FACT USG STUDYING POSSIBLE NEED TO ASSESS COUNTERVAILING DUTIES ON MERCHANDISE SHIPPED FROM ARGENTINA SUPPORTED BY SPECIAL EXPORT INCENTIVES. WHILE CONTAINING SOME EXAGGERATIONS AND ERRORS, ARTICLE WAS BASICALLY FACTUAL. WRITER CLAIMED HIS SOURCE WAS FROM BUSINESS CIRCLES BUT EMBASSY FEELS MOST LIKELY SOURCE WAS WITHIN GOA MINISTRY OF ECONOMY.

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3. WHILE TREASURY TEAM WAS IN BUENOS AIRES, SEVERAL ARGENTINE PAPERS REPRINTED CHRISTIAN SCIENCE MONITOR EDITORIAL OF ABOUT MAY 30 WHICH HIGHLIGHTED "CONTRADICTORY US POLICY FOR LATIN AMERICA." THAT EDITORIAL, WE UNDERSTAND, POINTED TOWARD INCONGRUITY OF SITUATION IN WHICH US SECRETARY OF STATE SEEKING TO EXTEND MAXIMUM ASSURANCES TO LA'S CONCERNING OPENNESS OF US MARKET TO THEIR PRODUCTS WHILE TREASURY STUDYING POSSIBLE COUNTERVAILING DUTIES ON BRAZILIAN, COLOMBIAN AND ARGENTINE PRODUCTS. THIS STORY RECEIVED FRONT-PAGE TREATMENT IN SEVERAL PAPERS.

4. ARGENTINE OFFICIALS INFORMED TREASURY FACT-FINDING TEAM AND EMBASSY THAT GOA WOULD NOT, RPT NOT, PROVIDE INFORMATION ON ITS EXPORT PROMOTION PROGRAM AS REQUESTED. GOA OFFICIALS STATED PROPER FORUM FOR SUCH DISCUSSIONS WAS IN SCCN. FACED WITH THIS RESPONSE, TREASURY TEAM, WITH EMBASSY ASSISTANCE, GATHERED INFORMATION FROM NON-GOVERNMENTAL SOURCES AND RETURNED TO US JUNE 4.

5. ON JUNE 4, CRONISTA COMMERCIAL RETURNED TO TOPIC AND REPORTED ITS PREVIOUS ARTICLE HAD STIRRED FREJULI DEPUTY GILBERTO MOLINA TO PRESENT A DRAFT LAW IN ARGENTINE CONGRESS CALLING UPON GOA TO SEEK MODIFICATION OF GATT RULES WHICH LIMIT RIGHTS OF DEVELOPING COUNTRIES TO DEVELOP EFFECTIVE EXPORT INCENTIVES THROUGH SUBSIDIES OR PERMIT MEMBER STATES (DEVELOPED COUNTRIES) TO TAKE COUNTERVAILING ACTION. IN PRESENTING HIS BILL, DEPUTY MOLINA REPORTEDLY TERMED US ACTION AS "ECONOMIC REPRESSION, A TYPICAL IMPERIALISTIC ARBITRARY PROCEDURE TAKEN BY A PROUD AND POWERFUL STATE AGAINST A DEVELOPING COUNTRY WHICH WAS TRYING TO PROMOTE ITS DEVELOPMENT." ON JUNE 4, ALSO, ANOTHER IMPORTANT MORNING DAILY, CLARIN, EDITORIALIZED ON THE SUBJECT. CLARIN EDITORIAL WAS LARGELY A CRITICISM OF ARGENTINE ECONOMIC POLICY THAT SEEKS TO PUSH INAPPROPRIATE EXPORTS AT WRONG MOMENT IN TIME WHEN, INSTEAD, GOA SHOULD BE DEVELOPING BASIC INDUSTRIES THAT WOULD GIVE THE ECONOMY A BROAD BASE, HIGHER PRODUCTIVITY AND GREATER EFFICIENCY, ENABLING COMPETITIVE EXPORTS TO BE DEVELOPED NATURALLY. HOWEVER, EDITORIAL ENDS WITH COMPLAINT AGAINST PROTECTIONIST ATTITUDE TAKEN BY MOST HIGHLY DEVELOPED COUNTRY IN THE WORLD.

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6. IN SITUATION WE SEE DEVELOPING, THERE ARE SIGNS THAT GOA MAY BE PREPARING TO MAKE MAJOR ISSUE OF ANY US ACTION WHICH APPEARS TO CHALLENGE ARGENTINA'S EXPORT PROMOTION POLICY. GOA OFFICIALS TOLD TREASURY TEAM AND EMBOFFS THAT COUNTERVAILING DUTY ACTION BY USG WAS LIKELY TO BRING RETALIATORY ACTION BY ARGENTINE CONGRESS. HE DID NOT

SPECIFY WHAT SUCH ACTION MIGHT BE. DEPUTY MOLINA'S BILL INTRODUCED INTO ARGENTINE CONGRESS ON OR JUST PRIOR TO JUNE 4, GIVES SOME CREDIBILITY TO STATEMENT MADE TO TREASURY TEAM AND EMMMBASSY.

7. IN CIRCUMSTANCES WHERE GELBARD ECONOMIC TEAM SEEMS PREPARED TO INCREASE LINKAGE OF ARGENTINE ECONOMY WITH THAT OF EASTERN BLOC AND TO PAY HIGH COST FOR SUCCESSFUL EXPORT PROMOTION PROGRAM, EVEN TO POINT OF EXTENDING EXTRAORDINARY CREDITS TO CUBA, EMBASSY BELIEVES THERE IS SUBSTANTIAL RISK THAT GOA MIGHT RETALIATE AGAINST US TRADE AND INVESTMENT INTERESTS IF COUNTERVAILING DUTIES ARE ASSESSED AGAINST ARGENTINE FOOTWEAR.

8. EMBASSY BELIEVES THAT PROBLEM IS OF SUFFICIENT SERIOUSNESS TO CALL FOR MAJOR STATE/TREASURY/COMMERCE REVIEW BEFORE USG PROCEEDS FURTHER IN PUBLIC CONSIDERATION OF NEED FOR COUNTERVAILING DUTIES. WE REALIZE TREASURY HAS PRIMARY RESPONSIBILITY, IS CONSTRAINED NOT ONLY BY COUNTERVAILING DUTY LEGISLATION AND JUDICIAL PROCEEDINGS ALREADY IN TRAIN, AND USG ROOM FOR MANEUVER MAY NOT BE GREAT. HOWEVER, THE POSSIBLE IMPACT OF A CONFRONTATION OVER COUNTERVAILING DUTIES ACTIONS ON ARGENTINE FOOTWEAR IN IMPAIRING OVERALL BILATERAL RELATIONS APPEAR TO DEMAND CAREFUL CONSIDERATION OF POSSIBLE REPERCUSSIONS OF ANY USG ACTION. IN ANY CASE, EMBASSY BELIEVES ISSUE IS NOT SENSITIVE ONE WITH GOA AND SUGGESTS THAT GREAT CARE BE TAKEN IN SUBSEQUENT APPROACHES TO GOA, THROUGH ARGENTINE EMBASSY OR OTHER AVENUES. EMBASSY BELIEVES NO DEADLINE FOR PROVISION OF INFORMATION SHOULD BE OPENLY EXPRESSED. SUGGEST THAT FURTHER EFFORTS BE MADE, FIRST THROUGH AMBASSADOR ORFILA AND LATER, AS INDICATED, THROUGH THIS EMBASSY WITH GOA, TO INDUCE BILATERAL CONSULTATION ON FOOTWEAR PROBLEM. ALL AVENUES TO SEEK NEEDED COOPERATION FROM GOA SHOULD BE EXHAUSTED BEFORE USG MAKES PUBLIC A DECISION TO PROCEED ON FORMAL INVESTIGATION AND WHEN USG DOES PROCEED, IT SHOULD BE LIMITED OFFICIAL USE

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PREPARED FOR POSSIBLE RETALIATION BY GOA ON A SCALE NOT NECESSARILY COMMENSURATE WITH ANY DOLLAR MEASUREMENT OF FOOTWEAR CASE. MONTLLOR

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